

PPWSA (KH100010004 CSX)

Performance Highlights

FY ends Dec (KHR'bn)	4Q20	% QoQ	% YoY	2020	% YoY
Revenue	86.88	0.3%	114.8%	324.37	50.8%
EBITDA	45.84	-9.1%	562.5%	179.99	77.0%
EBIT	33.37	-11.9%	-689.0%	129.59	149.3%
Net finance income	0.57	#N/A	#N/A	-8.84	229.4%
PBT	33.94	9.2%	-579.6%	120.75	145.0%
Net profit	18.79	-30.8%	-411.4%	88.35	165.4%
EBITDA margin	52.8%	-5.5%pt	35.7%pt	55.5%	8.2%pt
EBIT margin	38.4%	-5.4%pt	52.4%pt	40.0%	15.8%pt
Net margin	21.6%	-9.7%pt	36.5%pt	27.2%	11.8%pt

Source: Company, YSC Research

2020 review: net profit skyrockets to record high

Number of commercial & industrial clients increase 9.3% in 2020

- Water subscription increased by 17,712 connections or 4.5% to 407,779 connections at the end of 2020. The number household clients were up 3.7% to 333,099 connections, accounting for 81.7% of total subscriptions, while the number of commercial and industrial clients rose 9.3% to 68,136 connections (16.7% of total). With the modest growth in household clients, total subscription growth was the slowest since at least 2008. However, the increase in commercial and industrial clients was the highest in the last five years.

Top line jumps 50.8% on revised increase in water tariff

- Total revenue jumped 50.8% to a record high of KHR324bn in 2020 from KHR215bn in 2019. Core water sales surged 49.2% to KHR269bn, representing 83% of total revenue. The surge in water sales was the result of the revised water tariff, which took effect from the beginning of last year. Although water demand from households saw a modest growth of 4.0% from 92.9 million cubic meters in 2019 to 96.7 million cubic meters in 2020, the average water tariff soared 31% from KHR877 to KHR1,150 per cubic meter. Demand from commercial and industrial clients were up 6.44% from 70.5 million cubic meters to 75.1 million cubic meters, while the average tariff climbed 47% from KHR1,194 to KHR1,752 per cubic meters. Meanwhile, water sales to public institutions and autonomous state authorities saw a threefold increase from KHR6.8bn in 2019 to KHR19.4bn in 2020 as water tariff for these clients was revised up significantly from KHR1,030 to KHR2,500.
- On the other hand, income from construction services witnessed a seven-fold increase from KHR3.4bn to KHR23.3bn. Other incomes—including water meter maintenance charge, sales of water connection materials, penalty charge, and others—were up 11.4% to KHR19.4bn.

Operating profit margin expands to biggest since IPO

- EBITDA surged 77% to KHR180bn in 2020, with EBTIDA margin expanding 8.2%pt to 55.5%. The cost of goods and services rose 38.4%, driven mainly by a six-fold increase in construction service expense. However, general administrative expenses (excluding depreciation and amortization) were up modestly by 8.3% as salaries and wages rose 9.0%.
- With depreciation and amortization expenses edging up slightly by 1.4%, EBIT jumped 149% to nearly KHR130bn. EBIT margin reached 40.0%, its peak since at least the IPO in 2012.

Bottom line skyrockets to record high

- Net finance expense came to KHR8.84bn in 2020, up from KHR2.68bn in the previous year. The increase in net finance expense was mainly due to a net foreign exchange loss on borrowings of KHR8.66bn last year, compared to merely KHR804mn in 2019. Despite this, pre-tax profit jumped 145% to KHR121bn, while net profit skyrocketed to a record high of KHR88.4bn thanks to the increase in water tariff.

Water subscription

Client	2020	2019	Change	%Change	2020% total
Household clients	333,099	321,212	11,887	3.7%	81.7%
Commercial & industrial clients	68,136	62,366	5,770	9.3%	16.7%
Others	6,544	6,489	55	0.8%	1.6%
Total	407,779	390,067	17,712	4.5%	100.0%

Source: The Company

Closing Price **KHR 8,080**

Source: CSX, YSC Research

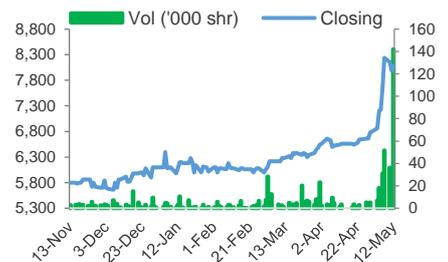
Stock info

Industry	Utilities (Water)
Market cap (KHR'bn)	702.7
Outstanding shares ('mn)	21
Majority shareholder	Ministry of Economy & Fin (%)
	80
Avg. daily vol. (last 6 months, shr)	5,902
Free floating shares (last 6 months, %)	0.82
Price low/high (last 6 months, KHR)	5,660 ~ 8,240
EPS (KHR)	1,016
P/E (x)	7.95
P/E* (x, adj. earnings)	7.38
P/B (x)	0.73
P/B** (x)	1.22
EV/EBITDA (x)	6.29
D/E (%)	89.87

*Based on earnings adjusted for forex gain/loss

**Excluding equity of Class A (non-voting) shares.

Stock performance



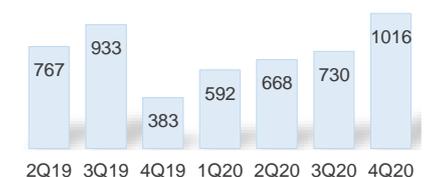
Trading volume/value in last 12 months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
May-20	96,032	546	5,649	32
Jun-20	98,827	556	4,706	26
Jul-20	1,674,225	8422	72,792	366
Aug-20	42,033	243	2,627	15
Sep-20	26,213	159	1,456	9
Oct-20	43,007	255	2,264	13
Nov-20	53,332	308	2,807	16
Dec-20	67,239	396	2,923	17
Jan-21	43,110	266	2,269	14
Feb-21	40,289	243	2,014	12
Mar-21	138,409	867	6,291	39
Apr-21	73,767	483	4,339	28

Source: CSX, YSC Research

Earning strength

EPS (ttm, KHR)



Note: EPS = earnings per share. ttm = trailing twelve months

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Net interest income/expense & Net forex gain/loss

KHR'mn	2016	2017	2018	2019	2020
Interest income	20,194	6,145	16,814	8,824	7,623
Interest expense	-17,072	-32,805	-16,177	-11,508	-16,463
Net interest income/expense	3,122	-26,660	637	-2,684	-8,840
Net forex gain/loss	-290	-21,886	7,748	-804	-8,659

Source: The Company

Water tariff

Type of Clients	Water Consumption per month	Old Tariff per m3	New Tariff per m3	%Change
Households	• 0m3 - 04m3	KHR 400	KHR 400	0.0%
	• 4m3 - 07m4	KHR 500	KHR 400	-20.0%
	• 08m3 - 15m3	KHR 770	KHR 720	-6.5%
	• 16m3 - 25m2	KHR 1,010	KHR 960	-5.0%
	• 26m3 - 50m3	KHR 1,010	KHR 1,250	23.8%
	• 51m3 - 100m3	KHR 1,250	KHR 1,900	52.0%
	• Over 100m3	KHR 1,250	KHR 2,200	76.0%
Commercial & Industry	• 0m3 - 15m3	KHR 950	KHR 950	0.0%
	• 16m3 - 45m3	KHR 950	KHR 1,100	15.8%
	• 46m3 - 100m3	KHR 950	KHR 1,400	47.4%
	• 101m3 - 200m3	KHR 1,150	KHR 1,700	47.8%
	• 201m3 - 500m3	KHR 1,350	KHR 2,100	55.6%
	• Over 500m3	KHR 1,450	KHR 2,400	65.5%
	Govt institutions & Others		KHR 1,030	KHR 2,500

Note: New tariff applicable from Jan 2020

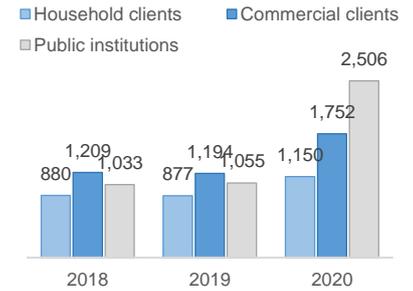
Source: The Company

Financial Ratios

FY to Dec	2016	2017	2018	2019	2020
Per-share ratios					
EPS (KHR)	580	413	880	383	1,016
EPS* (KHR, adj. earnings)	583	614	808	390	1,096
BPS (KHR)	9,405	9,588	10,176	10,351	11,141
BPS** (KHR, excluding Class A)	4,908	5,091	5,679	5,855	6,644
EBITDA/sir (KHR)	1,075	1,339	1,586	1,169	2,069
SPS (KHR)	2,279	2,678	3,048	2,472	3,730
DPS (KHR)	160	154	218	230	na
Valuation ratios					
Share price at year end	4,100	3,860	4,200	6,000	6,100
P/E (x)	7.07	9.34	4.77	15.67	6.00
P/E* (x, adj. earnings)	7.04	6.28	5.20	15.38	5.57
P/B (x)	0.44	0.40	0.41	0.58	0.55
P/B** (x, excluding Class A)	0.84	0.76	0.74	1.02	0.92
EV/EBITDA (x)	5.12	4.56	4.68	7.73	5.34
P/S (x)	1.80	1.44	1.38	2.43	1.64
Dividend yields (%)	3.90	3.99	5.18	3.83	na
Dividend payout (%)	28.24	40.50	25.71	60.09	na
Profitability ratios					
Gross margin (%)	68.66	71.04	75.91	74.21	76.33
EBITDA margin (%)	47.16	50.01	52.03	47.28	55.49
EBIT (%)	29.00	34.13	35.79	24.17	39.95
Net margin (%)	25.45	15.43	28.86	15.48	27.24
ROE (%)	6.29	4.33	8.80	3.67	9.32
ROE** (% , excluding Class A)	12.27	8.20	16.00	6.46	15.87
ROA (%)	3.97	2.70	5.44	2.18	5.09
Efficiency ratios					
Asset turnover (x)	0.16	0.18	0.19	0.14	0.19
Receivables turnover (x)	5.72	5.84	8.38	13.43	16.55
Payable turnover (x)	2.05	1.60	0.96	0.40	0.43
Financial strength					
Debt/equity (%)	58.3	62.3	61.2	75.6	89.9
Net debt/equity (%)	14.8	23.2	31.2	28.9	43.8
Interest coverage (x)	3.4	2.4	5.9	4.5	7.9
Inter & ST debt cover (x)	1.1	1.0	1.6	1.2	2.7
Current ratio (x)	3.3	2.0	1.6	0.9	1.3
Quick ratio (x)	2.6	1.4	0.5	0.4	0.7
Net debt/EBITDA (x)	1.3	1.7	2.0	2.6	2.4

Note: *Based on earnings adjusted for forex gain/loss on borrowings; **Excluding Class A (non-voting) shares
Source: The Company, YSC Research

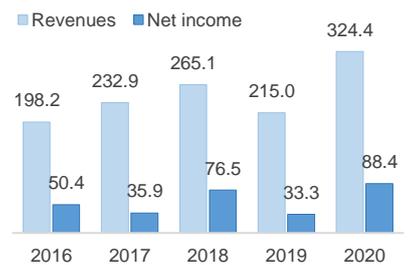
Average water tariff (KHR)



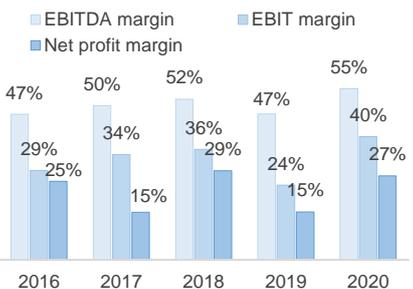
Water demand (million m3)



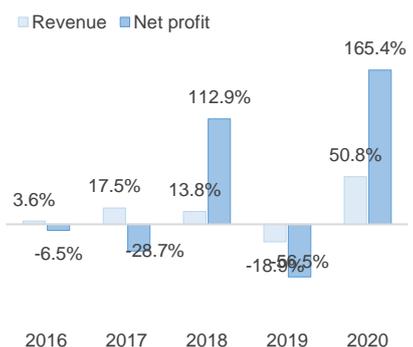
Annual revenue and net profit (KHR'bn)



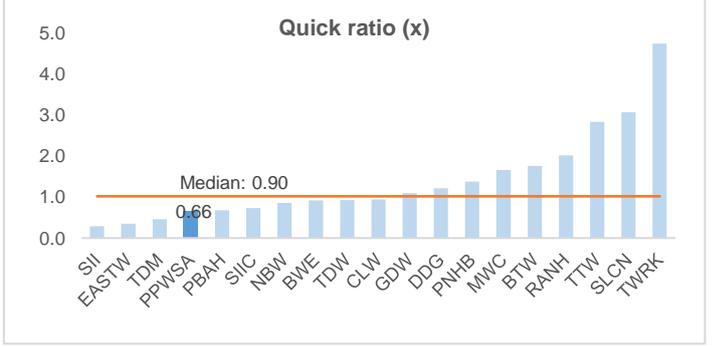
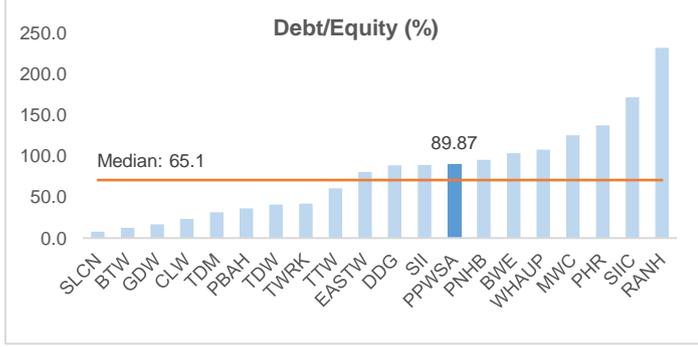
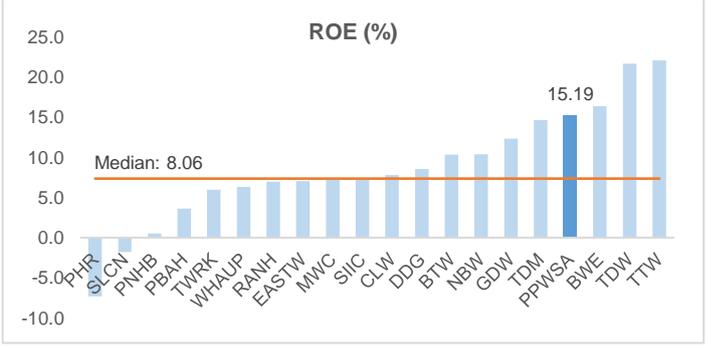
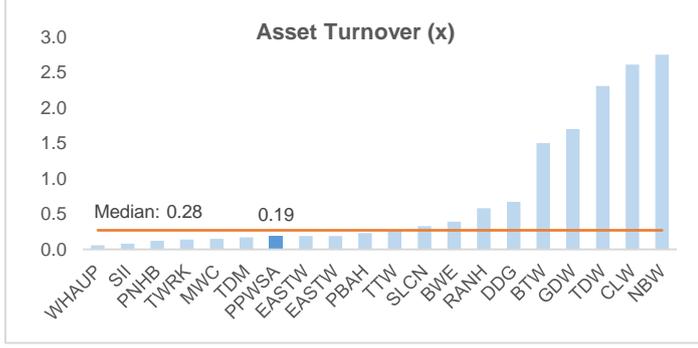
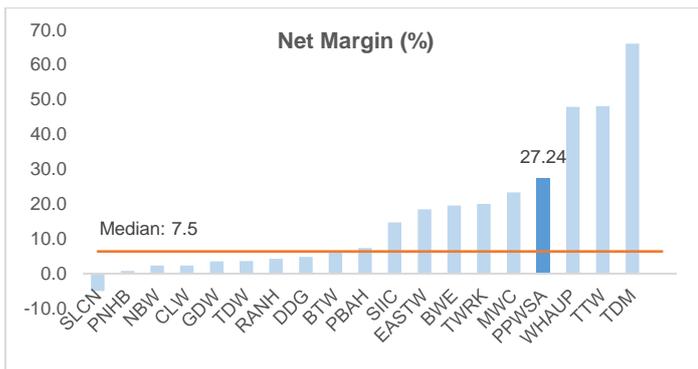
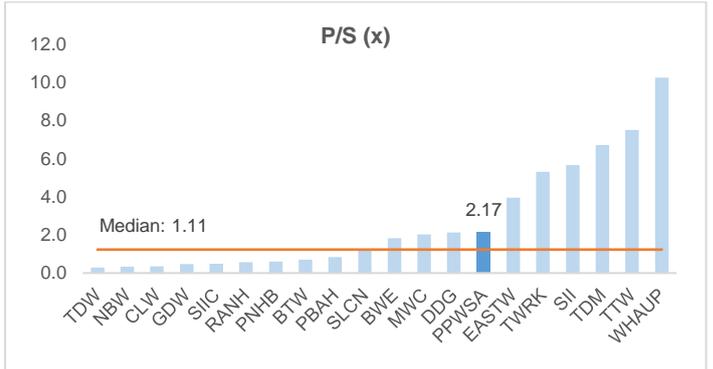
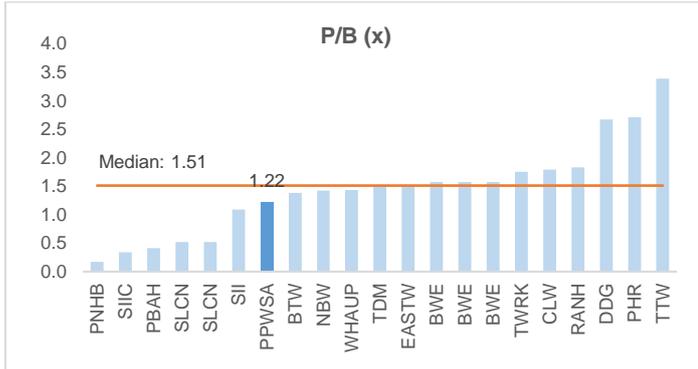
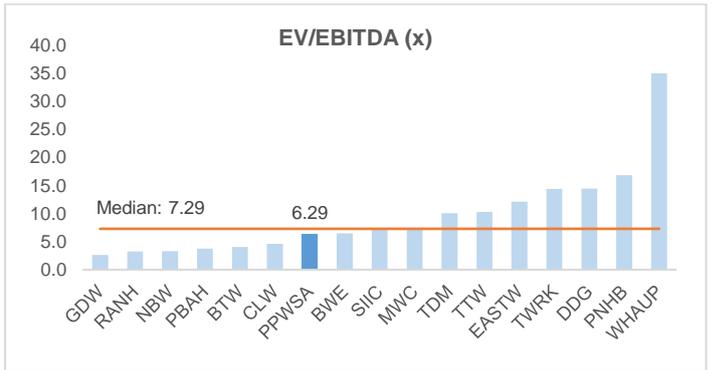
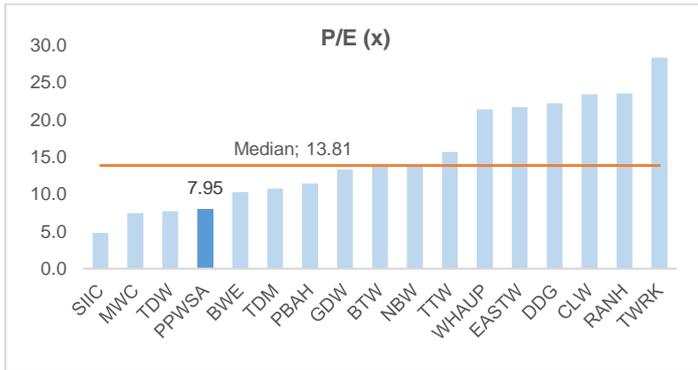
Annual profit margin



Annual profit growth (YoY)



ASEAN Peers Comparison



Note: All figures are trailing-twelves-month figures; Returns data is obtained as of May 12, 2021; PPWSA's price data is as of May 12, 2021
Source: Reuters, YSC Research

Peer Companies Information

No	Stock Symbol	Company Name	Stock Exchange	Country
1	BTW	Ben Thanh Water Supply Joint Stock Company	HNX	Vietnam
2	BWE	Binh Duong Water - Environment Joint Stock Company	HOSE	Vietnam
3	CLW	Cholon Water Supply Joint Stock Company	HOSE	Vietnam
4	DDG	Indochine Import Export Industrial Investment Joint Stock Company	HNX	Vietnam
5	EASTW	Eastern Water Resources Development and Management Public Company Limited	SET	Thailand
6	GDW	Gia Dinh Wasuco Joint Stock Company	HNX	Vietnam
7	MWC	Manila Water Company, Inc.	PSE	Philippines
8	NBW	Nha Be Water Supply Joint Stock Company	HNX	Vietnam
9	PBAH	PBA Holdings Bhd	KLSE	Malaysia
10	PHR	PH Resorts Group Holdings, Inc.	PSE	Philippines
11	PNHB	Puncak Niaga Holdings Berhad	KLSE	Malaysia
12	RANH	Ranhill Holdings Berhad	KLSE	Malaysia
13	SII	Saigon Water Infrastructure Corporation	HOSE	Vietnam
14	SIIC	SIIC Environment Holdings Ltd.	SGX	Singapore
15	SLCN	Salcon Berhad	KLSE	Malaysia
16	TDM	Thu Dau Mot Water Joint Stock Company	HOSE	Vietnam
17	TDW	Thu Duc Water Supply Joint Stock Company	HOSE	Vietnam
18	TTW	TTW Public Company Limited	SET	Thailand
19	TWRK	Taliworks Corporation Berhad	KLSE	Malaysia
20	WHAUP	WHA Utilities and Power Public Company Limited	SET	Thailand

Condensed Financial Statements

Statement of comprehensive income				
FY to Dec (KHRbn)	2017	2018	2019	2020
Revenues	232.9	265.1	215.0	324.4
COGS	-67.4	-63.9	-55.5	-76.8
Gross profit	165.4	201.2	159.6	247.6
Operating expenses	-48.7	-62.3	-59.4	-64.3
Net gain/loss from forex	-0.3	-0.9	1.5	-3.3
EBITDA	116.5	137.9	101.7	180.0
Depreciation & Amortization	-37.0	-43.1	-49.7	-50.4
EBIT	79.5	94.9	52.0	129.6
Interest income	6.1	16.8	8.8	7.6
Interest expense	-32.8	-16.2	-11.5	-16.5
PBT	52.8	95.5	49.3	120.7
Income tax expense	-16.9	-19.0	-16.0	-32.4
Net profit of the period	35.9	76.5	33.3	88.4
Actuarial loss/gain on retirement benefit	-2.9	-2.9	0.0	0.0
Comprehensive income	33.1	73.6	33.3	88.4

Statement of cash flow				
FY to Dec (KHRbn)	2017	2018	2019	2020
Operating cash flow	83.4	83.1	224.7	73.8
Net profit	35.9	76.5	33.3	88.4
Depreciation & amortization	37.0	43.1	49.7	50.4
Change in working capital	-25.6	26.7	99.6	-62.9
Others	36.1	-63.2	42.1	-2.0
Investing cash flow	-60.1	-98.8	-186.0	-253.9
Net CAPEX	-115.4	-161.8	-200.1	-200.9
ST investment	51.6	63.1	15.7	-50.0
Others	3.8	-0.1	-1.6	-2.9
Financing cash flow	-23.7	13.1	3.1	175.1
Net change in share capital	0.0	0.0	0.0	0.0
Net change in debt	-1.0	27.6	10.7	202.2
Cash dividend	-13.9	-6.5	-2.8	-26.0
Others	-8.7	-8.0	-4.7	-1.2
Net change in cash & equivalent	-0.4	-2.6	41.9	-5.0
Beginning cash & equivalent	16.4	16.0	13.4	55.2
Ending cash & equivalent	16.0	13.4	55.2	50.2

Statement of financial position				
FY to Dec (KHRbn)	2017	2018	2019	2020
Non-current assets	1,129.5	1,230.0	1,387.4	1,586.7
Fixed assets	1,124.2	1,215.7	1,374.0	1,573.6
Intangible assets	5.2	14.3	13.4	13.1
Other non-current assets	0.1	0.0	0.0	0.0
Current assets	232.5	219.4	216.9	277.9
Inventories	64.5	97.0	103.8	78.6
Trade receivables	44.8	18.5	13.6	25.6
Cash & cash equivalent	16.0	13.4	55.2	50.2
Short-term investment	96.7	33.6	17.9	67.9
Other current assets	10.5	56.9	26.5	55.5
Total assets	1,362.0	1,449.4	1,604.3	1,864.6
Non-current liabilities	408.8	411.2	449.8	663.8
Long-term debts	258.3	285.6	303.9	517.3
Refundable water deposits	49.7	56.8	65.4	65.2
Other non-current liabilities	100.8	68.7	80.5	81.3
Current liabilities	114.1	138.9	240.8	218.8
Short-term debts	49.4	42.1	33.1	30.8
Trade & other payables	51.1	82.3	196.7	156.6
Other current liabilities	13.6	14.5	11.0	31.3
Total liabilities	522.9	550.1	690.6	882.6
Shareholders' equity	839.1	899.3	913.7	982.1
Share capital	541.2	541.2	541.2	541.2
Capital reserves	264.8	284.5	339.2	352.5
Retained earnings	33.1	73.6	33.3	88.4
Total liabilities & equity	1,362.0	1,449.4	1,604.3	1,864.6
Net debt	291.6	314.4	281.9	497.9
Total debt	307.6	327.8	337.1	548.1

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